

Revenue Sources and Land Use Policies for Affordable Housing



City of Wenatchee, Washington

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Section 1.0 Executive Summary: Key Findings

David Paul Rosen & Associates (DRA) was retained by the City of Wenatchee (City) to provide a housing market overview and housing needs assessment for the City. DRA was also retained to research and suggest potential revenue sources and policies that can respond to these needs. This report presents DRA's findings on potential revenue sources and land use policies for affordable housing. A subsequent report presents the housing market overview and needs assessment.

Based on DRA's research into potential revenue sources and policies to support affordable housing production, the following programs seem to have the most potential to address the City's affordable housing needs, as described in the Housing Market Overview and Housing Needs Assessment:

- An inclusionary housing program, under which market rate residential developers would be required to include affordable housing units within their market rate developments;
- A general obligation bond, which could raise revenue to produce affordable housing;
- A property tax levy to fund production of affordable housing;
- Participation in Washington's Local Infrastructure Financing Tool program, to raise revenue for affordable housing and economic development in a defined Revenue Development Area within the City; and
- Allocations from the State Housing Trust Fund.





2.0 Introduction

The City of Wenatchee is interested in identifying ongoing, stable revenue sources and policies to support the development of affordable housing.

This report evaluates the following resources and programs:

- commercial linkage fees;
- inclusionary housing programs;
- general obligation bonds;
- taxes, fees and assessments;
- tax increment financing; and
- the Washington Housing Trust Fund.

This report describes potential revenue sources and policies to support the production of affordable housing in Wenatchee using the following criteria:

- Election and other adoption requirements: the adoption requirements of a potential revenue source or policy can have a significant effect on its success in producing affordable housing. Generally, potential revenue sources and policies subject to general elections are difficult to adopt. Other sources, such as commercial linkage fees, require adoption by a City

Council, and may face statutory or State constitutional restrictions.

- Ability to raise funds for affordable housing or produce affordable housing units.
- Degree of control by City staff: depending upon the source of funds or the policy, City staff may or may not have control over developing programs and policies for the use of affordable housing production.
- Cost of developing revenue source or policy.
- Successful use of revenue source or policy for producing affordable housing in other jurisdictions.





3.0 Profiles of Alternative Revenue Sources and Policies for Affordable Housing

3.1 Commercial Linkage Fees

Many cities impose development impact fees on non-residential development to mitigate the increase in housing demand generated by such development. Future low wage employment growth generates demand for housing affordable to lower and moderate income workers. Through the payment of fees on commercial development, non-residential developers mitigate at least a portion of the impact of their development activities on the housing market.

3.1.1 Election and Adoption Requirements

Development impact fees can be adopted by a City Council or a County Board of Commissioners, per the Revised Code of Washington (RCW) Section 82.02.020. The funds collected with these fees must be spent on capital facilities owned and operated by the government entity, including: public streets and roads, parks and open space, school facilities and fire protection facilities. Funds from impact fees cannot be spent on housing, per RCW 82.02.020. However, RCW Section 36.70A.540(2) establishes the legal authority for jurisdictions to adopt affordable housing incentive programs, including imposing fees on new development to support the development of housing units affordable to low income households. For these purposes, low income is defined as households earning 50 percent of county Median Family Income (MFI) and below for rental units and 80 percent of MFI and below for ownership units. Jurisdictions can increase these income limits, but the limits may not exceed 80 percent MFI for renters and 100 percent MFI for owners.

Impact fees on development are subject to the nexus and “rough proportionality” requirements established under United States Supreme Court cases of *Nollan v. California Coastal Commission* (1987) 483 U.S. 825 and *Dolan v. City of Tigard* (1994) 512 U.S. 374. The *Nollan* decision imposed a requirement that a “rational nexus” be demonstrated between the impact associated with an action and the remedy being required or, in the case of a fee, the use of the funds being extracted from the developer. Washington State law requires that a direct impact be demonstrated in order to adopt an impact fee but does not detail specific requirements for establishing this nexus.

There is currently little dispute that commercial development, by increasing employment, also increases the demand for housing for the added employees, and that market housing development, with no public assistance, will not provide enough additional housing for the additional lower-earning employees.

3.1.2 Ability to Raise Funds for Affordable Housing

The ability of a commercial linkage fee to raise funds for affordable housing is based on the following factors:

- applicability of linkage fee;
- fee amounts; and,
- amount of commercial development.

When designing a commercial linkage fee program, a jurisdiction will look at a number of factors that will affect the amount of revenue the fee can generate. One important factor is the applicability of the linkage fee. There are several important issues for a jurisdiction to consider. First, jurisdictions with commercial linkage fees typically exempt smaller developments. A minimum threshold size, if any, will affect the level of fees generated by a linkage program. Typically, this is expressed in gross square footage of a development. Second, jurisdictions must decide which commercial uses must pay a linkage fee (e.g., retail, manufacturing, office, entertainment, warehouse,

research and development, etc.). Third, jurisdictions typically define which developments are exempt from paying a commercial linkage fee because the development was already in the “pipeline” when the fee was adopted. In this instance, it may appear unfair to impose a fee on developers with commercial projects underway because the cost of the fee was not incorporated in the developers’ analyses of economic return.

A critical component of a commercial linkage fee program is the fee amount imposed on developments. In almost all cases, fees adopted by jurisdictions are lower than fees justified by a nexus study.

Clearly, the level of future commercial development in conjunction with the applicability of the linkage fee may have a significant effect on the amount of revenues generated by a commercial linkage fee. For example, if a jurisdiction exempts commercial uses that will dominate future commercial development in the jurisdiction, then the potential to raise revenues from the commercial linkage fee is diminished. Conversely, applying the linkage fee to these commercial uses will enhance the ability of a commercial linkage program to raise revenues for producing affordable housing.

Based on the recent permit valuation of commercial development in the City of Wenatchee, a commercial linkage fee is not likely to produce sufficient revenue to significantly address Wenatchee’s affordable housing need. In 2007, the valuation of Wenatchee’s commercial development permits was \$10.4 million. Assuming an average valuation of \$100 per square foot and a linkage fee of \$2.50 per square foot, the fee would generate approximately \$260,000 a year. This modest amount of revenue may not be sufficient to justify adopting such a linkage fee. However, a commercial linkage fee applied to the Waterfront Sub-Area may be more effective at generating revenue for affordable housing production, as significant commercial development is planned in the Area in the near future.

An alternative method for mitigating the affordable housing demand created by new commercial development is to require commercial developers to produce affordable units themselves rather than paying a

linkage fee. The City of Palo Alto, California, is using this method of addressing the increase in affordable housing demand created by a planned expansion of the Stanford Medical Center and is currently in negotiations with the Medical Center over the production of affordable units, rather than the payment of a fee.

3.1.3 Degree of Control by City staff

Typically, City staff have complete control over the use of commercial linkage fees. The only restrictions on the use of the fees is based on the policy decisions made when adopting the fee.

3.1.4 Cost of Developing Revenue Source or Program

The cost of developing a commercial linkage fee is relatively low. In addition to the cost of developing a nexus analysis and drafting an ordinance, a jurisdiction may hold public meetings to discuss issues regarding a commercial linkage fee program.

3.1.5 Successful Development of Revenue Source or Program in Other Cities

Within the limits of DRA's initial scope of inquiry for Wenatchee, we have found that the exception established in RCW Section 36.70A.540(2) to the limited allowable uses of impact fees has been virtually untested by Washington jurisdictions. This may be due to political obstacles to adopting an impact fee on new development or the aversion of jurisdictions to impose fees on developers. There are, however, a number of jurisdictions across the country with commercial linkage fee ordinances including Boston, Cambridge, Oakland, Sacramento, San Diego, San Francisco, Palo Alto and Seattle. Seattle's program, adopted in 1989, allows increases in maximum density limits for commercial developers who voluntarily construct affordable units or pay a per square foot fee. The program is currently under review. Boston's linkage fee program produced \$45 million between 1986 and

2000. San Francisco raised \$38 million in linkage funds between 1981 and 2000 (Policylink).

3.2 Inclusionary Housing Programs

An inclusionary housing program secures the participation of private developers to assist with meeting affordable housing demand. Inclusionary housing programs require market rate residential developments to include a percentage of their units as affordable to specified income levels. The programs can be mandatory or voluntary and they vary by total percentage of affordable units required as well as the required level of affordability of those units. Inclusionary housing programs can apply to rental and ownership developments.

Many jurisdictions' inclusionary housing programs offer incentives to developers for including affordable units in their developments. These incentives can include density bonuses, fast track permit processing, zoning requirement waivers, local tax abatements and fee deferrals, design modification of the affordable units and infrastructure subsidies for the developer.

Some inclusionary housing programs require the affordable units to be provided within the market-rate development, and of similar design and product type as the market rate units. Other programs provide alternative compliance options in lieu of providing the affordable units within the market rate developments. These options can include providing the affordable units off-site or of a different product type or housing tenure. Developers may also be given the option of meeting their affordable unit obligation through acquiring existing housing stock and rehabilitating the units as affordable units.

Inclusionary housing programs may also provide developers with the option of paying an in lieu fee or donating land rather than building the required affordable units. Jurisdictions providing this option can then use these funds and/or sites to subsidize affordable unit production and/or rehabilitation in the future.

3.2.1 Election and Adoption Requirements

An inclusionary housing ordinance can be adopted by a City Council or a County Board of Commissioners.

Although not legally required, it is advisable for a jurisdiction to conduct an economic analysis to help determine appropriate inclusionary set aside requirements, the appropriate amount for an in lieu fee and other key program features. Some jurisdictions will require developers to pay a fee sufficient to subsidize the development of an affordable unit at an alternative location. For example, the City of Fremont, California, requires developers to pay an in lieu fee equal to the difference between the cost of developing an affordable housing unit and the home price a moderate income household can afford. Further, Fremont restricts the types of housing developments eligible to pay the in lieu in order to encourage developers to construct affordable housing units rather than pay in lieu fees.

3.2.2 Ability to Produce Affordable Housing

Similar to a commercial linkage fee, the ability of an inclusionary housing program to produce affordable units or raise funds for affordable housing is based on the following factors:

- applicability of the inclusionary ordinance;
- unit set-aside percentage and, if applicable, in lieu fee options; and,
- amount of residential development.

An important factor is the applicability of the inclusionary housing ordinance. First, most, but not all, jurisdictions with inclusionary housing ordinances exempt smaller developments. Lowering or eliminating the threshold size of developments means that more developments are subject to inclusionary requirements. In turn, this means that more developments must build affordable units or pay in

lieu fees. In addition, lowering or eliminating the threshold size of developments often results in “fractional” units. For example, an inclusionary requirement of 20 percent affordable units results in fractional unit requirements on any development with less than five units. In these cases, a developer can pay a fee rather than provide an affordable unit.

Second, jurisdictions should define which developments, if any, are exempt from inclusionary requirements because the development was already in the pipeline when the ordinance was adopted. In these cases, it may be unfair to impose inclusionary requirements on developers with residential projects underway because the inclusionary requirements were not incorporated in developers’ analyses of economic return. Jurisdictions have a number of choices when determining which projects are exempt from new inclusionary requirements. In some cases, jurisdictions will only exempt projects that have paid for their building permits. Other jurisdictions exempt developments that have approved preliminary maps.

Third, the outcomes of an inclusionary housing program can depend largely on the incentives and alternative compliance options offered to developers. In requiring developers to provide affordable units on-site, jurisdictions successfully increase their supply of affordable housing and ensure that it is not isolated in certain areas. Some programs encourage market rate developers to partner with affordable housing developers in meeting their inclusionary obligations or provide the market rate developers with public subsidies to support the affordable units’ production. However, by requiring market rate developers to meet their inclusionary requirements without public subsidies, an inclusionary housing program can increase the private production of affordable housing.

The amount of an in lieu fee can affect potential revenues in two ways. First, if a fee is relatively low compared to the cost of developing an affordable housing unit on the same site as the market rate development, then developers will choose to pay the fee. In this instance, paying the fee is cheaper to the developer than providing the affordable unit. However, fewer affordable units will be constructed

when compared to on-site compliance. In order to create incentive for developers to provide affordable units on-site, in lieu fees would have to be set at a level comparable to the difference between the cost of developing an affordable unit and the amount a very low, low, or moderate income household can afford. Second, the amount of the fee in conjunction with the level of future housing development will have a significant effect on the amount of revenues generated by an in lieu fee.

The Wenatchee Urban Growth Area Comprehensive Plan Update's Draft Supplemental Environmental Impact Statement (SEIS), completed in January 2007, estimates the build out potential for Wenatchee's Urban Growth Area at 6,618 units. Applying inclusionary requirements to this magnitude of future development in Wenatchee could produce a significant number of affordable units. For example, a fifteen percent requirement would produce 993 units of affordable housing under the SEIS build-out projection.

However, if the City of Wenatchee were to adopt an inclusionary ordinance to apply to new development, it would apply to development within the City's limits only. New development in the Sunnyslope Sub-Area would only be subject to inclusionary requirements if similar requirements were also adopted by Chelan County. Therefore, according to SEIS build out projections for the Wenatchee Urban Growth Area, only 4,382 of the 6,618 total units will be within Wenatchee city limits and subject to potential inclusionary requirements. Thus, a City fifteen percent requirement, for example, would produce 657 affordable units.

3.2.3 Degree of Control by City staff

The specific requirements of the inclusionary ordinance determine the type, location, and amount of units produced. City staff have complete control over the use of in lieu fees. Any restrictions on the use of fee revenues are based on the policy decisions made when adopting the inclusionary ordinance.

3.2.4 Cost of Developing Revenue Source or Program

The cost of developing an inclusionary housing ordinance is relatively low, with costs related to conducting the economic and programmatic analysis, drafting an ordinance and, at the choice of the jurisdiction, holding public meetings to discuss issues regarding an inclusionary housing program. The economic analysis will help determine the appropriate inclusionary set aside percentages, target income levels, in lieu fee amounts, the value of offsets and incentives, and the value of other alternative compliance measures.

3.2.5 Successful Development of Revenue Source or Program in Other Cities

While there are no legal restrictions to adopting mandatory inclusionary housing programs in Washington, few jurisdictions have done so. Several jurisdictions in Washington have adopted voluntary inclusionary housing programs that offer incentives for developing affordable units rather than require their production. Bainbridge Island is currently drafting a new mandatory inclusionary program. Redmond, Bellingham, Bellevue, Kirkland, Marysville, Sequim, Shoreline, Snohomish, Woodinville, King County and San Juan County have all adopted voluntary inclusionary housing programs that offer incentives such as density bonuses, fee waivers and reduced parking requirements to developments that include affordable units.

Jurisdictions throughout the country have adopted mandatory inclusionary housing programs. According to a 2007 survey by the Northern California Association of Nonprofit Housing (NPH), over 170 jurisdictions in California, representing one-third of the state's jurisdictions, have mandatory inclusionary housing ordinances. NPH estimates that almost 30,000 affordable housing units have been built since 1999 through California's inclusionary programs. Most of these units were integrated within market rate developments and built by the market rate developer alone. About a third of the affordable units built were built on-site by the market rate developer working in partnership

with an affordable housing developer or governmental agency. Almost half of all inclusionary units were made affordable to low income households and nearly one quarter to moderate income households. Most jurisdictions allow payment of an in lieu fee in place of building the required affordable units. NPH reports that at least 5,000 units have been built with the funds collected through in lieu fees, but tracking of the collection and spending of these fees is weak.¹

3.3 General Obligation Bonds

Under the RCW Section 39.36, local governments can issue general obligation bonds to fund municipal purposes, including capital facilities associated with economic development. A general obligation bond is secured by the locality's pledge to use legally available resources, including tax revenues, to repay the bond-holders. Many general obligation bonds are adopted along with property tax levies to fund the debt service on the bonds.

3.3.1 Election and Adoption Requirements

The RCW states that “no taxing district shall...become indebted in...an amount exceeding three-eighths of one percent of the value of the taxable property in such taxing district” without voter approval. When voter approval is required to issue debt, in no event “shall the total indebtedness incurred at any time exceed one and one-fourth percent on the value of the taxable property.” Cities are also limited to a total indebtedness of two and one-half percent of their taxable property (RCW 39.36.020).

When voter approval is required, a bond can only be issued if it receives the affirmative vote of a three-fifths majority of those voting on the proposition and the total number of people voting in the election is not less than forty percent of the voters in the locality who voted in the previous general state or county election (RCW 39.40.010).

¹ *Affordable by Choice: Trends in California Inclusionary Housing Programs*. Non-Profit Housing Association of Northern California; 2007.

3.3.2 Ability to Produce Affordable Housing

A general obligation bond that is passed by the voters, and does not incur debt in an amount exceeding limitations set by the RCW, can directly fund the construction of affordable housing. The Washington Constitution prohibits the gift of public funds or lending of public credit except for the support of the poor and infirm. It is generally understood that for these purposes, “poor” refers to individuals and families earning less than 80 percent of area median family income. Bond revenue collected for construction of affordable housing must therefore be used only for housing affordable to households earning up to 80 percent of MFI. In practice, public funds can be used for housing that provides for a mix of affordability levels, even if a portion of the units are affordable to households earning more than 80 percent of MFI.

As of December 31, 2007, Wenatchee’s total taxable property value equaled \$1,894,796,901. The City’s remaining general purpose debt capacity was approximately \$19.1 million without voter approval required and an additional \$15.2 million with voter approval required.

3.3.3 Degree of Control by City staff

Any restrictions on the use of bond proceeds depend upon the ballot provision or City statute adopted to authorize the bond. The proceeds from the sale of a bond can only be used for the purposes specified in the general statute or act authorizing the issuance of the bond (RCW 39.42.040). In addition, as described above, bond proceeds can only be used to construct housing that is affordable to households earning up to 80 percent of MFI.

3.3.4 Cost of Developing Revenue Source or Program

The costs associated with issuing a general obligation bond include: bond counsel, financial advisor and issuer costs. When a public election is required to issue the bond, the City would also incur the costs associated with holding the election.



3.3.5 Successful Development of Revenue Source or Program in Other Washington Cities

The Seattle City Council passed a property tax levy in 2006 to raise funds to provide for the interest and redemption requirements of a general obligation bond. Approximately \$3.7 million of the proceeds from this bond are dedicated to fund low income housing.

3.4 Taxes, Fees and Assessments

Localities can raise funds for the construction of affordable housing through levying taxes, fees and assessments. These can include property tax levies, which are assessed based on property value and paid annually, hotel/motel taxes, and real estate excise taxes, which are assessed based on the full selling price of real estate and paid on all real estate sales.

3.4.1 Election and Adoption Requirements

The RCW Section 84.52.105 authorizes counties, cities or towns to impose additional regular property tax levies to finance affordable housing for very low income households, defined as earning at or below 50 percent of MFI. The additional tax levy can be up to fifty cents per thousand dollars of assessed property value, assessed every year for up to ten years. Given Wenatchee's total assessed property value as of December 31, 2007, this could generate approximately \$947,000 annually for up to ten years.

To impose the additional tax, the locality must declare the existence of an emergency with respect to the availability of housing affordable to low income households and adopt an affordable housing finance plan describing how the funds raised by the levy will be spent. The tax must then be approved by a majority of the locality's voters.

A taxing district may also levy regular property taxes, subject to applicable dollar rate limitations, if authorized by a proposition approved by a majority of the voters in the taxing district. The

proposition may limit the period of the tax levy, limit the purpose for which the funds will be used, and/or set the rate below the maximum rate allowed. Funds raised through regular property tax levies cannot be used for capital costs.

Jurisdictions can levy hotel/motel taxes and use the proceeds only to fund tourist promotion. However, the funds raised through a hotel/motel tax can allow General Fund resources previously spent on tourist promotion to be spent on other public needs, such as affordable housing production.

All cities in Washington can levy a quarter percent real estate excise tax (REET 1). Cities and counties that are planning under the Growth Management Act can levy a second quarter percent real estate excise tax (REET 2). The RCW requires that proceeds from a REET 1 be spent only on capital projects that are listed in the jurisdiction's capital facilities plan element of their comprehensive plan. If affordable housing is listed in the capital facilities plan, REET 1 revenue can be spent on producing affordable housing. However, under these circumstances, the housing units would be among the jurisdiction's capital facilities and thus owned by the jurisdiction.

The REET 2 can only be spent on capital projects, as defined in the RCW Section 82.46.035(5). Spending these funds on affordable housing construction is not permitted. However, per interviews conducted during our initial inquiry for Wenatchee, some Washington cities are exploring using a REET to fund capital projects through their General Fund and using other General Fund monies for affordable housing production. The interviewees state that this strategy is as yet untested.

3.4.2 Ability to Produce Affordable Housing

Insofar as funds are raised through property tax levies for affordable housing, housing units can be produced. Regular property taxes can raise funds to support affordable housing, but may not be spent on capital costs. Hotel/motel taxes and REET 2 proceeds cannot directly fund affordable housing production but may result in uncommitted

General Fund resources that may be used for producing affordable housing units.

The Wenatchee Urban Growth Area Comprehensive Plan's Capital Facilities Financing Plan includes "CDBG/Housing" as a facility type, listing \$100,000 to "support affordable housing project" and the revenue source as "Grant- CDBG Entitlement." Because affordable housing is listed in the capital facilities plan, the City may be able to use REET 1 funds to support affordable housing production.

3.4.3 Degree of Control by City staff

The tax levy for affordable housing, as authorized by the RCW, can only be used to finance affordable housing for households earning up to 50 percent of MFI. Within this requirement, City staff can determine how to use these funds. REET 1 funds may be able to be used to produce affordable housing, but the housing must be owned by the City. Using hotel/motel taxes or REET 2 funds to replace General Fund monies could free up monies to be used on affordable housing, under the control of City Council.

3.4.4 Cost of Developing Revenue Source or Program

The costs of levying new taxes, fees and assessments include costs associated with holding general elections to approve the tax levy, when required. In addition, in levying a property tax to be used for affordable housing, the City will incur costs associated with developing an affordable housing finance plan.

3.4.5 Successful Development of Revenue Source or Program in Other Cities

In Washington, only Seattle has successfully levied taxes to fund affordable housing through a majority vote. In October 2006, the Seattle City Council also passed a property tax levy to finance the production of affordable housing for "very low income households."



This tax will raise \$8.6 million. A ballot measure to impose a tax levy for affordable housing failed in Tacoma.

Substituting General Fund monies with hotel/motel tax or REET revenues and using General Fund monies for affordable housing has not been tested by other jurisdictions in Washington, per DRA's initial research.

3.5 Tax Increment Financing

The Washington State Legislature established the Local Infrastructure Financing Tool (LIFT) program in 2006. The LIFT program allows selected local governments to establish Revenue Development Areas (RDAs) and to take advantage of tax revenue generated by investment in an RDA. The local government receives the tax revenue from the State by imposing a local sales and use tax that is credited against the state sales and use tax. This tax revenue can then be used to make payments on bonds that finance public infrastructure improvements within the RDA. The improvements permitted under the RCW include financing affordable housing for very low, low and moderate income households.

The program will allocate up to \$2.5 million per year in LIFT authority statewide. Only one RDA per county will be awarded an allocation and the maximum award for any one project is \$1 million per year for 25 years.

3.5.1 Election and Adoption Requirements

In order to participate in the LIFT program, a jurisdiction must designate and pass an ordinance adopting an RDA, per RCW 39.102. The jurisdiction must then submit an application to the State Community Economic Revitalization Board (CERB). The CERB awards LIFT allocations on a competitive basis.



3.5.2 Ability to Produce Affordable Housing

Once a LIFT allocation is awarded, a jurisdiction can issue bonds using the increased tax revenue for debt service on the bonds. The bonds can then be used to finance affordable housing production or other economic development initiatives within the RDA. The effectiveness of this strategy to produce affordable housing depends on the economic development opportunities and planning of the RDA.

3.5.3 Degree of Control by City staff

A jurisdiction's application for a LIFT allocation must be approved by CERB and its uses of the tax increment revenue generated must adhere to the requirements of the LIFT program.

3.5.4 Cost of Developing Revenue Source or Program

The costs associated with participating in the LIFT program include legal, economic advisor and application costs.

3.5.5 Successful Development of Revenue Source or Program in Other Cities

The legislation authorizing the LIFT program named three potential demonstration projects: the Bellingham Waterfront Redevelopment Project, the Vancouver Riverwest Project and the Spokane River District Project. Based on the constraints of this inquiry, the amount of funds, if any, generated by the LIFT program in these demonstration project areas that will be dedicated to financing affordable housing development is unknown.

3.6 Washington Housing Trust Fund

The Washington Legislature established the Housing Trust Fund (HTF) in 1987 to help communities meet the housing needs of low income

and special needs populations. The HTF provides loans to local governments, local housing authorities, nonprofit organizations, Federally-recognized Indian tribes and regional support networks as defined in RCW Chapter 71.24. The loans can fund new construction, acquisition and rehabilitation of affordable housing units, rental subsidies, matching funds for social services, shelters and homeless services, and mortgage subsidies and downpayment assistance programs for first-time homebuyers. Housing units supported by HTF funds must be affordable to households earning at or below 50 percent of MFI. Thirty percent of HTF funds in each funding cycle are reserved for projects located in rural areas. There is a funding limit of \$2 million per applicant per funding round, of which no more than \$1.5 million can be spent on rental projects and no more than \$500,000 can be spent on homeownership projects.

3.6.1 Election and Adoption Requirements

HTF accepts applications for multifamily projects in two rounds annually, one in the spring and another in the fall. Applications for homeownership programs are accepted once a year, in the spring. Each funding cycle, or Round, requires applicants to submit project documentation in two stages. Only projects submitted in Stage 1 will be allowed to progress to Stage 2, pending approval by the Resource Allocation Unit. Notification of 2008 funding awards will be posted in June and December for the regular rounds, and in March for the Homeownership round.

3.6.2 Ability to Produce Affordable Housing

If a jurisdiction's application to HTF is approved, it can have access to up to \$2 million dollars for affordable housing preservation and production.

The City of Wenatchee can support the Housing Authority of Chelan County and the City of Wenatchee to produce affordable housing by offering the Authority credit enhancement to lower its borrowing costs.

3.6.3 Degree of Control by City Staff

A jurisdiction receiving funds from the HTF must abide by the State's rules regarding the eligible uses of HTF funds.

3.6.4 Cost of Developing Revenue Source or Program

The costs associated with receiving HTF funds include application costs. In addition, additional financing may be required by the applying jurisdiction in order to fill the gap between the funds provided by HTF and the cost of producing affordable housing units. The average per unit award amount in 2007 for homeownership and rental projects was approximately \$33,000. The homeownership awards granted in 2008 averaged approximately \$39,000 per unit.

3.6.5 Successful Development of Revenue Source or Program in Other Cities

Over the last two years, including the 2008 Homeownership Round and all funding in 2006 and 2007, the HTF has awarded approximately \$96 million to 108 projects encompassing 3,292 units. The vast majority of the applicants funded were nonprofit organizations and local housing authorities.

